

## **EXHIBIT C-3**

### **LOCKBOX 704 PROCESSING SPECIFICATIONS**

#### **A. Overview.**

Approximately 50,000 applications are processed annually for the initial appointment and/or license of producers, service representatives, adjusters, business entities, and Surplus Line Brokers. This volume is expected to remain steady from year to year. An online application process by credit card is scheduled to be instituted in 2005. Initiation of online processing may significantly decrease the volume of applications processed by the lockbox. The amount of fees collected in FY 2003 was approximately \$1.3 million, and the same or a small increase is anticipated in FY 2004. Applicants are instructed to mail their renewal forms, including all required documents and payment to the lockbox address. Some applicants may send their filings via courier express if they feel it will expedite the application process. The bank must provide for both types of delivery; remittances must be quickly routed to proper lockbox processing assignment area. As the recipient of mail, the bank is responsible for returning all certified mail return cards to the originator. Return receipt cards should not be left attached to envelopes or included in items forwarded to the Department.

#### **B. Processing Standards.**

The Bank shall:

1. Collect mail ... [same as in Exhibit C-1]
2. Process remittances ... [same as in Exhibit C-1]
3. Verify checks/application forms for the proper information:
  - a. Dollar amount:
    - Should the written and numeric figures of the check not agree, the bank should process the application using the written amount.
    - Should the amount of the check not agree with the amount shown on the application, the amount of the check is to be utilized and the remittance processed to completion, if the funds equal or exceed the amount shown on the application. The amount of the check must then be written and circled on the application and the applicant's name on the check.
    - Should any checks still be in question, the remittance should be halted, and the remittance(s) and application form(s) forwarded under separate cover to the department.
    - Verify the amount of the check is the equal or greater than amount of the fee listed on the application.
    - Accept only the forms that are attached in Appendix A of this Exhibit C-3.
  - b. Date [same as in Exhibit C-1]
  - c. Acceptable payee [same as in Exhibit C-1]
  - d. Blank Payee [same as in Exhibit C-1]
  - e. No check enclosed:
    - Envelopes received with no check (payment) are to be stamped "No Payment Enclosed." They should then be forwarded to the Department without processing.
  - f. Foreign Check [same as in Exhibit C-1]

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- g. Signature Missing [same as in Exhibit C-1]
- 4. Properly endorse ... [same as in Exhibit C-1]
- 5. Batch checks ... [same as in Exhibit C-1]
- 6. Capture all data listed in the Data Capture Summary (Appendix A) and include it in daily transmissions of transactions processed utilizing the format detailed in the Data Transmission Format and File Layout Summary (Appendix B).

NOTE: If only one check is received that covers multiple applications, each application must be **listed individually** and indicate an amount for each additional application in the group. The check must equal the total amount for the applications listed.

- 7. Forward to the department at the address listed below all turnaround material via courier for delivery to the Department by 10:00 AM the next business day. This packet of material must include:
  - Application forms
  - Reports containing data captured from applications in accordance with Item 6 above.
  - Lockbox edit listing
  - Deposit ticket photocopies
  - All items that cannot be processed (with explanations)
  - In addition, this daily envelope will contain:
    - Miscellaneous exception items, such as envelopes that have unidentified checks or no checks at all. These exception items must be kept separate from the other material, but they may be in the same envelope.

NOTE: All items processed after the lockbox edit list and electronic file cutoff time must be included in the next day's deposit. Only items listed on the lockbox edit list and included in the electronic file will be batched and mailed to the department in the current day material envelope.

- 8. Notify the Department via secure transmission of any data transmissions (as described in Item 6 above) available for download. Data transmissions should include only those items processed before the cutoff time established in the State's funds availability schedule and included on the lockbox edit list. All items processed after the cutoff time must be included in the next day's transmission in the data capture report referred to in Item 6 above must be sent by secure transmission on a daily basis to a designee within the Department. The current designee for receipt is:

Name: Sharon Watford  
Fax: 334-240-4192  
Email: SWatford@insurance.state.al.us

- 9. Process return checks as follows:
  - a. Automatically redeposit all return items one time.
  - b. If check is returned a second time, the check should be charged to the state's account and returned to the State Treasury.
- 10. Reconcile ... [same as in Exhibit C-1]
- 11. Provide a daily report summarized by form number. Each form number list should be presented separately in alphabetical order, with a total at the end. An additional report should present the total of all the forms number

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lists processed, the number of transactions of each form type, and the amount of each to arrive at the sum deposited for the day. DELIVER TO:

Department of Insurance  
201 Monroe St, Suite 1700  
Montgomery, AL 36104

**APPENDIX A**

**Data capture summary**

Attached are copies of all application forms to be processed using lockbox services. The data that must be captured from each of these filings is highlighted in blue.

<b>Form Number</b>	<b>Description</b>
1. AL-1	Application for Individual Producer License
2. AL-1-TSR	Individual's Application for Temporary Producer or Service Representative License/Appointment, Resident or Non-resident
3. AL-2A	Notice of Producer Appointment (Multiple Producers)
4. AL-2B	Notice of Producer Appointment (Multiple Insurers)
5. AL-70	Application for Business Entity Producer License (Alabama Domiciled Entities)
6. U-BE	Uniform Application for Business Entity Non-Resident License/Registration
7. U-IND	Uniform Application for Individual Non-Resident License
8. AL-90	Application for Adjuster License
9. AL-SLB-1	Application for Individual Surplus Line Broker License

## **APPENDIX B**

### **Data Transmission Format and File Layout Summary**

The following transmission format and file layout must be used to transit all data captured.

*Note: Deviations from the below described transmission format and file layout are not permitted.*

#### **Transmission format**

A daily transmission must be made using one of the transmission methods listed below.

1. A secure File Transfer Protocol (FTP) to a Transmission Control Protocol (TCP) or Internet Protocol (IP)
2. Via twisted pair telephone line and modem utilizing some form of security software, e.g., Crosstalk 3.01

#### **File Layout Box 704**

File: Variable Record Length  
Data Type: Text  
Delimiter: Semi-colon

<u>Field Name</u>	<u>Character</u>	<u>Length of field</u>
Last Name	Alpha	20
First name	Alpha	16
Suffix Name	Alpha	9
SSN or FEIN	Numeric	9
Appointing Company	Alpha	30
NAIC #	Numeric	7
Fees processed	Numeric	19.2
Process Date	Date	8